SALES & MARKETING MANAGEMENT

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JUNE 1991
A BILL PUBLICATION
FOUR DOLLARS

TELEMARKETING: DIALING FOR DOLLARS

SALES STRATEGIES
The Question of Reps

FLEETS
Extended Drive Time

COMPENSATION
Team Selling: What's the
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AGEMENT
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SALES & MARKETING MANAGEMENT

COVER BY CARL FLATOW

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SALES & MARKETING MANAGEMENT

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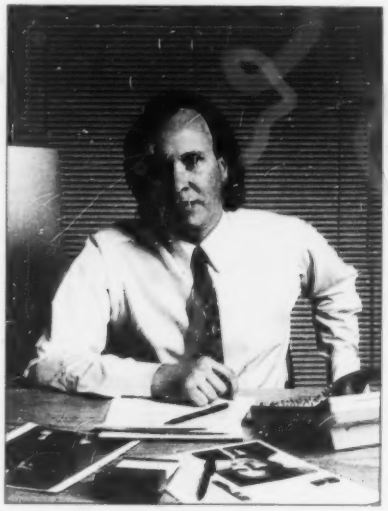
ABP BPA

THE RACE

A MEAN OLD DOG



Telemarketing. Funny how one word can conjure up reactions ranging from pride to prejudice—and everything in between—depending on who you talk to.

At one end of the opinion spectrum are the telemarketers themselves, brimming with optimism, fascinating facts and figures, and tossing around statements like: "Telemarketing reps are a new voice in the sales process, a voice that many successful companies are already employing and one that will be heard decisively in the future."

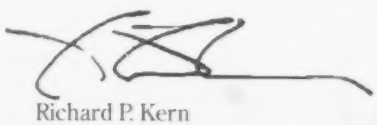
That is, as long as salespeople don't have anything to say about it. They've tended to give telemarketing the same kind of warm reception most people reserve for things like the Black Plague or a rerun of *The Love Boat*, viewing it as a sinister force that threatens their very existence.

And then there's management—by turns cautious, hopeful, bewildered, optimistic, curious. Not sure what to make of all the squabbling and sniping, but well aware that if telemarketing really *is* all its proponents say, then it's not just an isolated trend, it's a whole new reality that changes the basic rules of selling. Naturally, this makes managers somewhat uneasy, since the promise of telemarketing is also the problem of telemarketing—convincing salespeople that it's not the Trojan Horse they think it is.

Being the only common denominator in this rather tenuous equation, with both ends—telemarketers and salespeople—pleading their case (and lobbing the occasional grenade at the opposition) using management as their sounding board (or shield), managers have tended to fall back to the mathematical high ground. The cost of doing business over the phone is infinitely less, they say, than sending a rep out into the field. This dollars-make-sense logic—coupled with the fact that it's a hell of a lot easier to get yourself a new dog rather than teach the old one some new tricks—is what has piqued management's interest in telemarketing and given it the support it currently enjoys in the front office.

Consequently, the old dog (sales) isn't all that thrilled with the upstart pup (telemarketing), although as the popularity of telemarketing grows, field salespeople will continue to feel the pressure from both above and below. At this point, the argument heard most often from telemarketers—that they're providing a service to sales reps by taking on activities like cold calling, following up on leads, and qualifying potential customers, thus allowing salespeople to concentrate their efforts on key accounts—still hasn't been embraced by salespeople, basically because no one has sufficiently addressed the question of how handing over their territories, contacts, and, most important, their commissions, to telemarketers is in their best interests.

Until they can be shown that telemarketing's gain won't be their loss, salespeople—like any reliable old dog—are likely to remain highly territorial when they sense anybody sniffing around their territory.



Richard P. Kern
Editor

DIAL "M" FOR MAXIMIZE

Still Need Proof? Here Are Some Companies That Have Picked Up the Phone to Gain an Edge on Their Competition.

BY RUDY OETTING AND GERI GANTMAN

Sales executives beset by rising costs and relentless competition should heed an essential truth of today's marketplace: The prime care and feeding of valued customers *can* be entrusted to sales reps who happen to work over the telephone.

These people are bright, aggressive account managers who've been trained to listen to a customer's needs, build a database from the information, and systematically farm a territory without ever leaving the office. In some cases, they work jointly with field sales. In a few, they actually call the shots for the field force. In still others, they're the only sales force. Contrary to the popular image of telephone marketing, they operate on a much higher level than conventional sales-support personnel.

Take the hotly competitive cleaning-materials business, for example. A few years back, an executive at State Chemical Co. in Cleveland, Ohio, became intrigued with using telephone selling as the centerpiece of a market segmentation strategy. He saw the telephone as the core to a stand-alone subsidiary, not as a channel to be integrated with the parent's mix, which was geared toward a direct sales force that sold cleaning and maintenance supplies to a broad base of customers.

The result was Neutron Industries, Phoenix, Ariz., a subsidiary of State that goes after markets not readily covered by the parent's field force. A cluster of products was designed and packaged for these markets, and the corporate connection with the parent was minimized to create a separate, stand-alone image. All of the selling is done over the phone by sales reps responsible for assessing customer requirements, prescribing the appropriate cleaning materials, and monitoring the account so that sales can be increased over time.

To launch the concept, Neutron employed direct mail to provide the entry for the telephone sales reps (TSRs), but since then the telephone has become the principal medium. In fact, the venture is a prime example of how a subsidiary can adopt a parent company's traditional selling skills and translate them into a solid program of account management via telephone. There has been minimal conflict with the parent's field reps, who continue to sell their own products and markets.

MANAGEMENT BY PHONE

Neutron Industries isn't an isolated case. In any industry, demand for high-quality, frequent-contact, personal selling increases directly with the level of a company's competition. In these days of escalating costs for generating new business, few companies can afford to lose accounts or market segments.

To combat competition and cover markets effectively, sales and marketing executives are being forced to look at a limited set of options. Account management by phone certainly should be high on the list, if only for the sheer force of competitive economics.

Let's face it, the idea makes sense. In business-to-business marketing, the telephone has successfully evolved from supporting field sales with leads, to order-taking efforts integrated with field sales, to covering a field salesperson's small business accounts, to the present stand-alone account management with field specialists supporting the tele-

phone reps who own the accounts.

There have been visionary leaders in these efforts. In the 1980s, G.E.—within its myriad divisions—went from less than four partially account-based operations in 1984 to over 20 in 1989 that included many full account groups. Dell Computer Co., Austin, Texas, with over $500 million in PC sales in 1990, launched the business by telephone because, as a start-up, it couldn't afford anything else. Everex Computer and Compu-add have similar histories.

Telephone account management can be defined as sales made through the telephone channel to customers who require frequent personal contact by *skilled* sales reps. These salespeople "own" a specific number of customer accounts. Their basic goals are:

- To keep accounts buying from the company, not from the competition.
- To develop accounts through 1) selling more of the same products, 2) selling products new to the customer, and 3) knocking out competition.

In addition, if management is pleased with the results, telephone account management may be applied to the most difficult task of all: generating new business. This calls for the reps to either convert inquiries gleaned from other media into sales or generate their own leads and sales.

The business goals that cause an organization to initiate such a channel strategy vary but are generally based on some combination of the changing nature of its markets or products, overall sales, service and marketing results, and competitive position. Neutron Industries created a separate telephone-sales subsidiary to reach new markets. A rapidly expanding company, though, might seize on a market life-cycle strategy in which account management by several specialized telephone units is brought to bear during the critical growth stage. Such a company may start out with a field sales force and then assign the telephone reps based upon what's being learned through constant study of the customer database.

Catalog houses, too, may graduate some of their best customers to telephone account management. More typical, however, is another case history, British Telecom, the U.K.'s giant phone company, which introduced telephone selling to handle *small* accounts. Like many companies in highly competitive situations, British Telecom came face to face with a reality of today's diverse marketplace: The field sales force was no longer capable of covering smaller customers—the usual prey of smaller but aggressive competitors. Organizations in

Calling for Help?

Although telemarketing isn't as internally well-organized an industry as some others, the following organizations should be able to point you in the right direction if you need further information on telemarketing and related areas of direct selling—its legalities, available databases, or even if you need a consultant to help you set up your own program.

- **Alliance Against Fraud in Telemarketing (AAFT),** coordinated by the National Consumers League (NCL), 815 15th St. N.W., Washington, D.C. 20005; 202-639-8140. AAFT is an umbrella organization of approximately 70 organizations, private corporations involved in telemarketing, and government agencies, all of which are concerned about telemarketing fraud and the steps that can be taken to alert and protect potential victims. It serves as a clearinghouse for information on telemarketing fraud, produces monthly public service radio announcements on telemarketing scams, and even hands out the annual "PHONY" awards to the year's worst telemarketing frauds. AAFT staffers are available for consultation on telemarketing frauds. AAFT publishes *The Consumer Protection Handbook* as well as a quarterly membership magazine.
- **American Telemarketing Assn. (ATA),** 5000 Van Nuys Blvd., Suite 300, Sherman Oaks, Cal. 91403; 800-441-3335; fax: 818-995-0878. Established in 1983 with just 23 members, ATA has grown along with the industry to over 1,000 members in 10 regional chapters. It holds two conferences annually; a convention and expo in the fall, and a legislative conference each spring in Washington, D.C. ATA publishes both *Consumer Guidelines* and *Standards and Ethics Guidelines* for the industry, as well as the 10-times yearly *Journal of the American Telemarketing Association (JATA)*. Membership is open to those with management responsibilties in telemarketing or related fields, owners and operators of telemarketing service agencies, and suppliers of related products and services.
- **Direct Marketing Assn. (DMA),** 11 W. 42nd St., New York, N.Y. 10036; 212-768-7277. The DMA, with well over 5,000 members, sponsors the Echo Awards for achievement in direct marketing and offers both mail and telephone "Preference Service" for people who wish to receive less (or, indeed, more) mail advertising and fewer, unsolicited telemarketing sales calls. The DMA also maintains extensive reference files, which are readily available to the public, and a direct marketing "Hall of Fame." It also publishes several monthly, bimonthly, and annual publications.
- **Direct Selling Assn. (DSA),** 1776 K Street N.W., Suite 600, Washington, D.C. 20006; 202-293-5760. Composed of the "big boys" in direct selling—the Avons of the industry, if you will—the DSA monitors legislation, conducts seminars and educational programs, runs an industry-wide awards program, and compiles statistics on the direct selling industry in America. It also sponsors the Direct Selling Education Foundation (DSEF), which advocates marketplace ethics, consumer knowledge, and consumer satisfaction, and bestows grants to both consumer organizations and academics for research into direct selling.
- **National Assn. for Information Services (NAIS),** 1150 Connecticut Avenue N.W., Suite 1050, Washington, D.C. 20036; 202-833-2545. Formed in June 1990, NAIS is an association of people and companies involved with 900-number marketing whose membership consists of local and long-distance carriers, service bureaus, information providers, and related firms.
- **National Assn. of Telemarketing Consultants (NATC),** P.O. Box 1551, Provo, Utah 84603; 801-375-9400. NATC monitors legislation concerned with telemarketing, maintains a speakers' bureau, and bestows the "Certified Telemarketer" (CTM) designation on those who meet NATC's stringent requirements for certification as well-versed in both the theory and practice of telemarketing.
- **National Center for Database Marketing,** 14618 Tyler Foote, Suite 888, Nevada City, Cal. 95959-8599; 916-292-3000. Not a trade association per se, this is a private company that holds conferences twice a year on the increasingly sophisticated art of database marketing. The conferences cover every conceivable aspect of database marketing and are aimed at both business-to-business and consumer marketers.—*R.S.*

Table 1

Eyeballing the Account Load...

In a properly structured operation, a telephone service rep (TSR) can make 20 to 33 decision-maker contacts (DMCs) per business day, depending on the complexity of the products and the customers and, critically, on the quality of first-line management and systems support. If a rep is also expected to make new business contacts, the number of assigned accounts should be reduced proportionately. Here's how to calculate the number of accounts that each rep should be assigned:

	TOTAL YEARLY DMCs PER REP		ANTICIPATED CONTACTS PER ACCOUNT		NUMBER OF ACCOUNTS PER REP
Routine Sale:	7,500	÷	5	=	1,500
Complex Sale:	5,000	÷	10	=	500

SOURCE: Oetting & Co.

this sort of fix rightly have the field force concentrate on valuable key accounts and turn the rest over to telephone reps because of the lower cost per sale.

A CALL FOR PHONE MANAGERS

What are some of the characteristics that make the telephone such an integral part of the sales and marketing mix, especially for small and medium-sized companies? Table 1 demonstrates that a trained professional TSR can make about 5,000 to 7,500 decision-maker contacts (DMCs) in a year. From that annual capability, we can estimate the number of accounts to be assigned to a sales rep.

Turning to Table 2, we see the range of "loaded" costs for a rep. Based on these, we can estimate the targeted Expense to Revenue (E/R) ratios to justify the operation. Also, depending on the complexity of the assignment, training, coaching, and first-line management, we can anticipate that the rep will hit the desired E/R in from 5 to 12 months.

Most critical of all, however, is the question of who should supervise the telephone account management function. First-line managers must be good leaders but also have the special quality that enables them to coach their people through the ever-changing demands of managing a database. It's a delicate balance. On one hand, the manager must accept responsiblity for all accounts, saying, in effect, "It's my playground, bat, and ball." On the other hand, he or she has to do this so transparently that the reps also feel a sense of ownership.

Compared to field sales management, the intensity of this assignment is several degrees higher on the stress scale. For example, if a field sales manager has eight reps, each of whom has 100 accounts, they're basically managing 800 accounts and 20 to 25 remote sales calls per day. A telephone sales manager with eight reps, each with 800 accounts, is managing 6,400 accounts and 240 contacts per day—all from the same location.

Make no mistake, though; each of those accounts is as important to the head of a telephone operation as any account base is to a traditional field manager. Therefore, by leading and coaching salespeople through the account database, they're not only ensuring and developing the skills of their reps, they're also providing customer-driven direction to the company.

Significantly, the emergence of this new breed of managers is already leaving its imprint on the sales and marketing scene. Not only do these first-line supervisors keep tabs on a high-volume operation, but, because of the personal nature of the transactions, they must also make sure their reps give each customer individual attention. They're held accountable for results in a systemized, immediately measurable environment that encompasses millions of dollars in corporate assets (the customers) and hundreds of thousands of dollars in corporate resources (their staff). Without doubt, the job is equal to any first-line field management position, though as the new kid on the block, it hasn't reached this status in most companies.

Where it *has* reached that status, the job of phone sales manager is a major opportunity area for highly capable people. Amsterdam Printing & Litho Corp. of Amsterdam, N.Y., for instance, is a 90-year-old family business of over 450 employees now into its fourth generation. The company sells advertising specialties and business forms that are mostly custom printed. Over 25 years ago, it was among the first to use the telephone as an adjunct to their mail campaigns. They were also early users of 800 numbers, as well as automation, to drive their high-volume direct marketing efforts.

But yesterday was then, and Amsterdam, like any smart business, realizes that tomorrow is what's important. Two-and-a-half years ago, top executives decided that telephone account management would have to become a much more important part of the business. Their mail offers were doing the job of generating new accounts, but Amsterdam realized that they needed to devise new ways to keep customers buying and to build them systematically over time.

There was already a small tele-

Table 2

...and the Cost of a Telephone Account Rep

The figures below represent the "loaded" cost of maintaining a rep in the two types of sales jobs for a year, including salary, commissions, incentives, taxes, fringe benefits, supervision, clerical support, telephone, automation, follow-up (literature, contracts, etc.), and overhead.

	ROUTINE SALE	COMPLEX SALE
Annual cost per rep	$37,500	$82,500
Number of rep phone days	235	220
Cost per day	$ 160	$ 375
DMCs per day	33	20
Cost per DMC	$ 4.85	$ 18.75
If expense to revenue (E/R) is targeted at...	15%	10%
...then, targeted revenue per rep is:	$250,000	$825,000

SOURCE: Oetting & Co.

phone unit of 12 people, but they were primarily product- and price-driven as a follow-up to current mailings. The reps had almost total discretion as to who to call and when.

A new sales plan was developed to revise that approach completely, and an outstanding first-line manager was put in place to run it. The reps were completely retrained with heavy emphasis on communication and sales skills. They were also provided with a new account-management system, which included tools for tracking and measuring progress on each account. Initially, this was a manual system, but it was later automated.

To try out the new concept, a "split test" was scheduled for 12 months, dividing part of the account base into two groups of comparable type and quantity. The first group was a control, where catalog orders were handled in the usual way. The second group was given to the newly trained telephone account managers (TAMs), each of whom was assigned a specific number of accounts they would reach an average of four times per year.

Customers in the second group continued to receive the normal flow of mail and catalogs, too, and they were free to respond through regular channels. Even if the orders came through the mail or via the company's 800 number, the TAMs got credit toward their compensation. They also received a copy of the order so they could follow up with a thank-you call—important in a launch of this sort.

The goals were account maintenance and development, and they've been achieved. In fact, the program was so successful that in 1990, three additional account management units were launched, and others are planned for later this year. Significantly, the best salespeople are those who have been proficient in building and applying their account information. They now truly "have a reason to call." As the data builds, it provides management with the capability of developing new strategies and refining the reps' approaches. Amsterdam is currently testing its next step: generating new business by telephone.

REACHING OUT IN A HURRY

Telephone account management also makes sense when a company wants to become customer-oriented in a hurry.

British Telecom (BT), London, one of the largest companies in Europe, was a national utility until it was privatized in 1984. As such, its marketing and sales organization was almost brand new and virtually free of the arterial plaque that often limits innovation. Those arteries were almost immediately tested, however, with legislation that created product and network competition.

By 1986, a number of rivals had entered the marketplace, primarily at the small business end. Having Xerox and AT&T as examples of what happens when small business markets are left unprotected by a thinly spread field sales force, BT's strategy became obvious: Develop alternative channels. Fortunately, BT management had already taken a step in this direction by creating a function called customer-development information systems, which could support new approaches and channel integration.

A telephone account management trial with a manager, coach, eight reps, and three support staff was launched in a single district. The partners were BT headquarters direct marketing staff and the Thameswey district's marketing department. The trial started in late 1986 but was set back by a lengthy strike. Still, the results were sufficiently positive to begin a plan, in the third quarter of 1987, for rollout.

The trial demonstrated the need during start-up for intense coaching of reps and detailed measurements of their performance. The strategy wasn't to sell on the early calls but to identify customer needs through structured questioning and thus build a comprehensive database of all active and potential accounts. Fears of how much telephone equipment could be sold to small businesses were soon assuaged, however, when sales of up to $15,000 were made with no demonstrations required.

The program produced significant changes in administration. Early on, for example, the unit was shifted from the marketing department to sales, and the savvy district sales manager decided to test a novel idea: He collapsed two field territories into the telephone operation and one of the salespeople became the field specialist for the telephone reps, assisting their sales efforts as needed. That has become the rule for BT's market segments: Telephone reps own their accounts with field specialists in support.

The rollout to all BT districts began in 1988, driven by a comprehensive training program. The manager was trained for three weeks, each of the reps for a total of 13 weeks—in one three-week and five two-week courses over a year.

So successful has the program become that BT now has 250 TAMs. A TAM with 12 to 15 months' experience is expected to achieve $1 million in sales per year. The operation is fully integrated into the overall sales strategy. In fact, the role of field sales has actually been enhanced by the increased demands and professional skills required for their concentration on larger accounts. BT's target: 500 TAMs handling 500,000 accounts by 1993.

Make no mistake, it's not easy to introduce a program of telephone account management. The companies mentioned here faced many problems along the way, generally centering around nay-sayers or turf protectors who said it couldn't be done, although seldom did these people provide alternative solutions.

But that's to be expected during periods of constant change. As long as no one can develop better, more cost-effective alternatives, telephone sales and account management will continue to grow as important elements in overall sales and marketing strategy.

Rudy Oetting and Geri Gantman are partners in Oetting & Co., New York City, an international telephone sales consulting firm.

Table 3

Dispelling the Cost-per-Call Myth

Too often, selling by telephone is billed as a solution to the rising cost of a field sales call, but this flawed rationale can set management off on the wrong track. McGraw-Hill's annual cost-per-call figures show that the cost of an industrial sales call climbed from $137 in 1979 to $250 in 1987. However, taking into consideration an average inflation rate of 7% per year, the numbers for both years were actually about the same. What *did* go up was the number of appointments to a close. Therefore, the problem management must confront isn't cost per call, it's the rising cost of meeting competition.

	1979	1987
Cost of an industrial sales call	$137	$250
Factored for inflation (1987 $)	$235	$250
Number of appointments to a close	x 4.3	x 6.3
Cost per sale	$1,011	$1,575

SOURCES: McGraw-Hill; Oetting & Co.

BY THAYER C. TAYLOR, SENIOR EDITOR

SALES REPS NO LAGGARDS IN USE OF COMPUTERS, SAYS CENSUS BUREAU

The widely held belief that sales personnel trail in computer use because sales departments are the last corporate function to take to PCs gets debunked in a new Census Bureau report, *Computer Use in the United States: 1989*. According to this survey, the percentage of employees in sales occupations who use computers (34.9%) is on a par with that of employees in all occupations (34.8%).

However, when you look at the various sales rep categories, PC penetration becomes remarkable. Among "sales reps, commodities, except retail"—synonymous with sales personnel of manufacturing and wholesale firms—the ratio is a much flashier 40%.

Understandably, computer usage in sales has made its greatest headway among reps in finance and business services, since a good part of their job is devoted to number crunching.

As for other sales occupations listed in the report, supervisors and proprietors use computers at work, as do a much smaller share of sales workers in retail and personal services.

But while sales reps may match the overall work force in computer usage, they lag far behind the most computer-intensive occupations. Among those classified as "technicians and related support," 62.2% use computers on the job, as do 57.7% of those in the "executive, administrative, and managerial" category. Behind those very high ratios is the close correlation that traditionally exists between computer use and educational accomplishment; 57.8% of employees with four or more years of college use computers vs. only half as many (29%) high school graduates.

The report has some other news, too. Female reps in "commodities, except retail" are taking to computers much faster than their male counterparts—46.4% vs. 38.2%. However, for all sales occupations, males set the pace. That's because almost three-fifths (57%) of female sales reps work in retail and personal services, where computer use is very low.

The report is the Census Bureau's second survey on computer usage—the first one covered the Orwellian 1984—and it underscores the computer's increasingly pervasive presence in all aspects of our lives. During the 1984-1989 time frame, the percent of households with a PC almost doubled, from 8.2% to 15%; other sources place the penetration even higher. The Electronic Industries Assn.'s consumer

Sales Rep Usage of Computers

	ALL WORKERS	USE COMPUTER AT WORK: TOTAL	%	WORD PROCESSING	SPREAD-SHEET	E-MAIL	COMMUNI-CATIONS
Sales occupations	13,272	4,665	34.9%	10.0%	7.0%	4.9%	8.9%
	6,947	2,770	39.9	12.3	9.7	6.0	11.1
	6,325	1,895	29.5	7.5	4.0	3.8	6.7
Supervisors, proprietors	3,918	1,477	37.7	10.0	8.9	5.9	10.8
	2,566	1,042	40.6	10.4	10.9	6.3	12.0
	1,352	435	32.2	9.3	6.6	5.3	9.4
Sales reps, finance & business services	2,289	1,364	59.6	24.4	14.0	9.9	20.4
	1,315	734	55.8	24.9	15.7	9.8	19.6
	974	630	64.7	23.7	11.8	10.1	21.2
Sales reps, commodities, except retail	1,656	662	40.0	14.2	10.9	5.9	10.5
	1,294	494	38.2	13.2	10.7	6.0	10.6
	362	168	46.4	17.7	11.6	5.5	10.2
Sales workers, retail & personal services	5,443	1,159	21.3	2.8	1.5	1.9	2.2
	1,755	498	28.4	5.1	2.9	3.0	3.7
	3,688	661	17.9	1.7	0.9	1.3	1.5
Sales-related occupations	66	3	NA	NA	NA	NA	NA
	17	2	NA	NA	NA	NA	NA
	49	1	NA	NA	NA	NA	NA

NA: Not available; base less than 75,000 persons.

Both sexes ■ Male ■ Female ■

SOURCE: Census Bureau, *Computer Use in the United States: 1989 (Series P-23, No. 171)*.

electronics group recently estimated 28% of all households had computers as of January 1991.

More than one-fourth (28.1%) of the adult population now uses a computer at work, home, or school vs. 18.3% in 1984, the Census Bureau reports. The increase was even more dramatic among employed adults, jumping from 24.6% in 1984 to 36.8% in 1989.

Along with educational levels, computer use also has a direct relationship to family income. Almost half (45.6%) the families with incomes of $75,000 and more include a computer user vs. 5% in the under-$15,000 category. The presence of a child also has a lot to do with computer usage. Twice as many households with children aged 3 to 17 had a computer (25.7%), as opposed to those without children (11.4%).

That the PC in the office will become as popular as the telephone is indicated by survey findings. Close to half the children 3 to 17 years of age (46%) use a computer either at home or at school, compared to 28% of adults who use a computer at home, work, or school.

BAD NEWS FOR THE PC INDUSTRY IS GOOD NEWS FOR MARKETERS

A bleak outlook for the PC industry signals buying opportunities for those marketers that are considering outfitting their sales forces with laptops. The last decade of double-digit industry growth—beginning when IBM entered the marketplace—will finally end this year, when shipments will slip 3% to 6.7 million units, predicts Forrester Research.

The Cambridge, Mass., hi-tech research firm says the recession, pinched capital budgets, and "saturation of the desktop market" will trigger the slump.

However, falling sales will be accompanied by a silver lining. While desktop shipments will plummet 10% to 5.5 million, laptop sales will soar 51%, to 1.3 million.

"As vendors and dealers struggle to stay afloat," says Forrester, "PC costs will free-fall. By the end of 1991, 386SXs [the microprocessor used in newer notebook-type laptops] will run between $1,000 and $2,000." Also adding to the price pressure: the end of Intel's monopoly on the 386 chip. Rival AMD's 386 chip-set "has passed compatibility tests at five vendors," Forrester reports, "and is under consideration by twenty more." Additional pressure will come as IBM-clone machines marketed by the likes of AST Research, Dell, and Epson further establish themselves in the marketplace.

However, the price bloodletting that will knock out some marginal firms may also be a red flag for marketers. Says Forrester: "Watch your dealer or VAR [value-added reseller] for signs of weakness. Hedge your bet with a multiple-channel strategy. Be warned that service and support from clone players can be a dicey proposition." Forrester's advice: "Pressure your suppliers for the best deal. Look at offerings of the clone contenders and rewrite those 'IBM-only policies.'"

Marketers may also want to wait to see how prices respond to big-name holdouts that are rapidly entering the market. IBM recently made its third try at a laptop with a notebook version that features a full-size keyboard, a rarity for that category. However, its $5,995 base price makes it expensive in today's market. Among those expected to field their first notebooks in coming months: Apple, DEC, and NCR.

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